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SECRET

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Central Intelligence Bulletin

CONTENTS

LAOS: Continued government progress in southern sectors. (Page 1)

SOUTH VIETNAM: New decrees strengthen Thieu's hand for the cease-fire period. (Page 2)

MULTILATERAL TRADE TALKS: Skepticism in Europe that US will be prepared for GATT talks next fall. (Page 4)

CHINA - EAST AFRICA: Recent Chinese arms deliveries. (Page 5)

PHILIPPINES: Marcos presses on with plans to revamp country's political structure. (Page 6)

HONDURAS: Junta appoints predominantly civilian cabinet. (Page 7)

NETHERLANDS: Labor's bid to form new government has been thwarted. (Page 8)

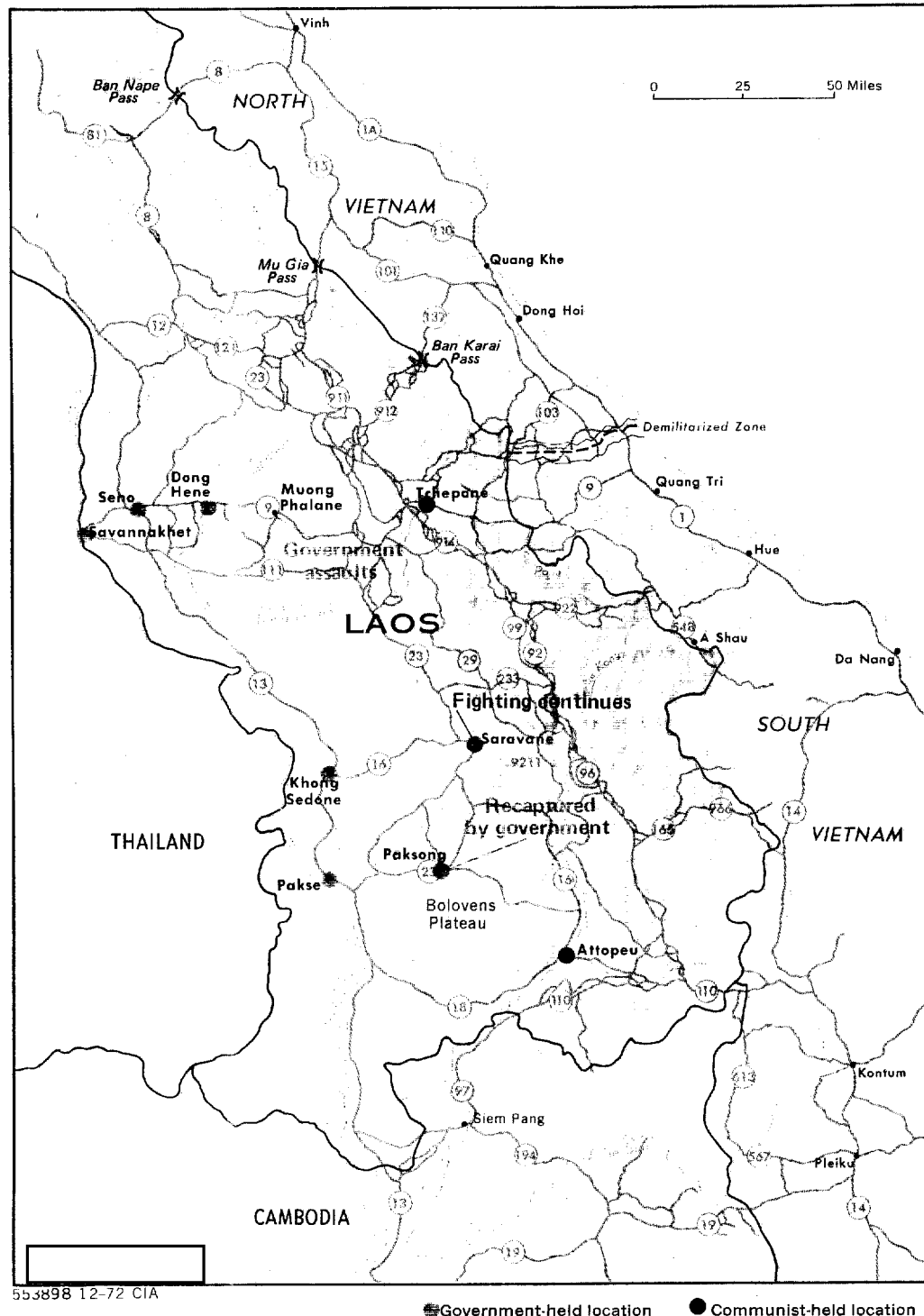
EUROPEAN LABOR: Restructuring labor movement (Page 10)

NETHERLANDS: Agreement on wage-price guidelines (Page 10)

UAE - YEMEN (SANA): Aid program (Page 11)

SECRET

SECRET



SECRET

SECRET

LAOS: Government forces continue to make progress in the south.

Irregular troops on 6 December recaptured Paksong on the Bolovens Plateau against only light resistance. If the government forces can secure the immediate area, they will probably move west to link up with other irregular battalions now attempting to advance along Route 23. Paksong was the commercial center of the Bolovens area until it was captured by the North Vietnamese in May 1971. The government probably will make a strong effort to hold it in expectation of a cease-fire.

North of the Bolovens, other government troops are still battling North Vietnamese units in and around Saravane. Both sides have taken heavy losses in the struggle for this provincial capital, which has changed hands several times in the past few weeks.

Government forces in the central panhandle are on the verge of retaking Muong Phalane, which has been under Communist control since May 1971. Most of the North Vietnamese 29th Independent Regiment remains near the town, however, strongly contesting government efforts to secure hamlets in the surrounding area.

25X1

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SECRET

SOUTH VIETNAM: Three new decrees announced earlier this month have significantly enhanced the government's power for the cease-fire period.

The new decrees broaden and codify the government's control over national defense, security, public order, and the economy. They also may be intended to extend the president's existing authority under the Emergency Powers Act, scheduled to expire this month, which gave Thieu substantial authority to deal with the enemy's spring offensive without legislative action.

Under a "state of alert," which now can be invoked in all or part of the country during a "critical situation" or "public calamity," the government is empowered under one new law to control the movement of people and goods, end all strikes and demonstrations, and regulate the dissemination of documents, publications or leaflets considered detrimental to the national security. Under a "state of emergency," to be imposed in the event of the "imminent upset of public order or catastrophe," the government will have the authority to impose curfews, detain or arrest any individuals considered dangerous to public order, and declare a state of martial law.

The third decree, calling for a "state of curfew," can be invoked if there is "clear and critical danger to the national security." It permits the government to transfer all civilian authority to the military. The new decrees extend the jurisdiction of military courts over some civilian crimes.

When any of the decrees are invoked, government officials are authorized to carry weapons for their own defense and are exempt from prosecution if they kill or injure someone in self-defense. Tough penalties, including capital punishment, can

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be imposed for economic crimes, such as hoarding goods, overcharging for merchandise, refusing to sell products at the official price, and purposely spreading rumors designed to upset the economy. The penalties for economic crimes and provisions for dealing with certain kinds of strikes and public disturbances were not included in the Emergency Powers Act.

25X1

8 Dec 72

Central Intelligence Bulletin

3

~~SECRET~~

SECRET

MULTILATERAL TRADE TALKS: Key officials and important newspapers in Europe are expressing increasing skepticism that the US will be prepared for the GATT multilateral negotiations scheduled to begin next fall.

Against a background of speculation that American foreign policy will strongly emphasize European and monetary affairs in the coming year, the Europeans are focusing on submission of trade legislation as a test of US intentions. After recent contacts with the "highest levels" of the EC Commission and one member state, presumably France, GATT Director-General Olivier Long said that some of these officials do not feel irrevocably bound by previous commitments to proceed with the talks. For them, the key question is whether the US Government will soon receive the necessary negotiating authority from Congress. In the absence of such authority, Long believes there may be no talks. According to the US mission to the EC, some of its contacts as well as items in the European press have also been reflecting this attitude, along with allegations that the US may even be willing to let the negotiations fail.

European skepticism that protectionist sentiment in the US will permit new trade negotiations is in part sincere, but its public airing is also tactical. Citing the failure of Congress to implement fully the commitments Washington has made in previous negotiations--particularly with respect to the American Selling Price system--the Europeans insist that the US Government must obtain adequate legislative authority before meaningful new bargaining can begin. So long as that authority is not obtained, the Europeans have an excuse for not facing up to their own difficulties in obtaining a new negotiating mandate. [REDACTED]

[REDACTED]

25X1

8 Dec 72

Central Intelligence Bulletin

4

SECRET

SECRET

CHINA - EAST AFRICA: Peking has made its first significant military aid shipments to Tanzania in almost a year and also recently has sent arms to Zambia and Burundi, all of which was grant aid.

A Chinese freighter arrived in Dar es Salaam in mid-November and unloaded four motor torpedo boats, a torpedo recovery boat, naval stores, small arms, and ammunition. The equipment probably was ordered earlier this year when at least two Tanzanian military delegations visited Peking. China had earlier supplied Tanzania with six Shanghai-class gunboats, two landing craft, two small river boats, and a wide range of ground forces equipment under previous agreements.

The cargo destined for Zambia included small arms and ammunition. [REDACTED]

[REDACTED] The arms are probably for the Zambian Militia, which sent a group of trainees to China this summer.

Small arms, ammunition, and ten jeeps were delivered to Dar es Salaam for transshipment to Burundi. The quantities involved, although not large, are significant to the military establishment in Burundi. [REDACTED]

[REDACTED]

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PHILIPPINES: President Marcos is pressing on with his plans to revamp the Philippine political structure.

Over the past few weeks, Marcos has been summoning numerous government officials, legislators of both parties, and other national figures to line up broad non-partisan support for his new constitution, which goes to national referendum next month. In an effort to mobilize the people behind himself and his New Society, Marcos has announced the creation of a mass national front organization that he apparently intends will eventually replace the traditional two-party system. The new movement is a federation of non-partisan civic groups designed to work closely with the government in implementing the goals of the New Society.

[REDACTED]

25X1

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[REDACTED] Marcos, who will undoubtedly use the unsuccessful attack on his wife yesterday to justify his extraordinary powers further, is likely to deal firmly with any future source of opposition, real or invented.

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[REDACTED]

SECRET

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HONDURAS: General Lopez and his military colleagues, who toppled the inept Cruz government last Monday, have appointed a predominantly civilian cabinet.

Most of the new ministers are of proven ability in their respective fields, with reputations for honesty and integrity. The financial team--ministers of economy and finance and the head of the planning council--looks unusually strong in this critical sector. Another characteristic of the new cabinet is that none of the ministers appears to have been chosen for partisan loyalties; although most are members of Lopez' National Party, other parties are represented, and hardly any could be considered "party stalwarts." In addition, the ministers are tied to each other, and in some cases to Lopez, by business associations, family connections, and friendships, so they are already accustomed to working together.

Significantly, National Party boss Ricardo Zuniga (known in Honduras as "the Godfather") has not been given a post. In fact, most of the new ministers had opposed Zuniga's behind-the-scenes control of the government during the previous Lopez administration. Despite Zuniga's ability to land on his feet, it appears that he will be excluded from a position of influence, at least for now.

25X1

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NETHERLANDS: The Labor Party's bid to form a leftist minority government has been temporarily thwarted, and Dutch politicians are considering every conceivable alternative.

The Labor Party, the largest single party and head of the opposition Progressive Bloc, has been the boldest in seeking power. Den Uyl, Labor's floor leader in parliament, has already chosen two thirds of his proposed cabinet even though the bloc won barely a third of the seats at stake in the 29 November national elections. Den Uyl lieutenants, realizing that they must garner the tacit support of another 15 to 20 deputies, are cajoling Catholic politicians who reputedly favor the political left.

Queen Juliana, however, has refused to name Den Uyl as government formateur and instead has chosen a member of the Protestant Anti-Revolutionary Party, Marinus Ruppert, to take "soundings" among all party leaders. Ruppert's appointment will give the confessional parties and the Liberals more time to consider a restoration of their previous alliance. Ruppert has publicly stated that this is his goal. If he can persuade the maverick Democratic Socialists and the small ultraconservative Calvinist parties to give him de facto support, he could fashion a coalition with a working majority. Ruppert, however, will find it extremely difficult to draft a program acceptable to all the center-right parties. Left-wing Catholics and Protestants sharply disagree with both the Liberals and Democratic Socialists on several issues.

If Ruppert fails, the formation of an extra-parliamentary cabinet of relatively non-controversial politicians from both left and right may be the only solution. This smorgasbord government would presumably propose compromise legislative

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programs to parliament, hoping that each program would receive majority support. The arrangement would be very unstable and serve only to buy time for the badly divided parties, particularly the Catholic People's Party, to pull themselves together before going to the polls again. [REDACTED]

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EUROPEAN LABOR: After earlier false starts, the restructuring of the labor movement has begun to move forward, following a meeting of West European trade unions last week. The participants endorsed formation of a new organization that will include International Confederation of Free Trade Union (ICFTU) affiliates from the EC Nine--except Ireland--and Austria, Finland, Iceland, Sweden, and Switzerland. The meeting generally accepted the British position that the new organization have a broader European basis rather than the German preference for an EC-centered grouping, and that it be, in effect, independent of ICFTU. At the same time, it is likely that on issues concerning the EC, only affiliates from EC member states will be allowed to initiate labor action. The German trade unions had wanted the new grouping to be a regional branch of the ICFTU. The accepted formula, however, would eventually permit membership by non-ICFTU affiliates and possibly, at some future time, by the Communist-dominated unions of Italy and France. The British overcame German opposition to the membership formula by stressing that absolute labor unity was necessary in order to deal with multinational corporations and to stimulate transnational collective bargaining. A founding congress for the new organization is now scheduled for 8-9 February in Brussels. [REDACTED]

25X1

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NETHERLANDS: Spurred by a postward record rise of over eight percent in the consumer price index, labor and management, after difficult negotiations, have voluntarily agreed with the government to establish wage-price guidelines. Price increases next year will be restricted to 5.75 percent. Limitation of wage increases to 3.5 percent is softened by provisions that allow for cost-of-living increases. The accord probably improves the chances for early settlement of collective bargaining negotiations that are to begin soon. [REDACTED]

25X1

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8 Dec 72

Central Intelligence Bulletin

10

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UAE - YEMEN (SANA): The United Arab Emirates has announced a second aid program to a neighboring Arab state in as many weeks. A \$19-million development grant has been given to Sana. This follows an aid package, believed to be even larger, given Syria last week in support of its role in the conflict with Israel. The UAE's generosity is undoubtedly influenced by the fact that the oil revenues of its largest and most wealthy member, Abu Dhabi, have increased by some \$130 million this year. The aid package for Yemen, promised during a visit to Sana this week by the UAE president, will be used for education projects, housing, roads, and other construction.



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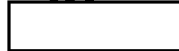
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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 7 December 1972 approved the following national intelligence estimate:

NIE 36.1-72 "Egypt's Policy Dilemmas"



25X1

8 Dec 72

Central Intelligence Bulletin

12

SECRET

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